Securities Industry Trends

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AN ANALYSIS OF EMERGING TRENDS IN THE SECURITIES INDUSTRY
Produced by the SIA Research Department

A8825-1

Vol. X No. 5 August 22, 1984

SEC RULE 415: BENEFITS AND COSTS FOR EQUITY ISSUERS

HIGHLIGHTS

1. This paper examines the cost of issuing primary equity securities for Rule 415 and non-Rule 415 registrations and trends in the market price of a stock around the announcement date of the stock issue.

2. Using multiple regression analysis, we conclude that issuers that have used the 415 shelf registration procedure experienced lower issuance costs than issuers using non-shelf procedures. These cost savings were substantially more for non-utility issuers than utility issuers.

3. Prices of shelf registered issues perform significantly worse than the market prices of non-shelf issues around the announcement date of the offering. This finding held for both utility and non-utility issuers. During the announcement period, non-shelf issues outperformed shelf issues by almost 9% on a market-adjusted return basis.

4. The negative performance of stock prices of shelf issues was four to twelve times greater than the savings in issuance costs.

5. Price stabilizing activities of an underwriting syndicate may be a very significant benefit to issuers of equity securities.

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I. Summary*

In this paper, we examine the effects of SEC Rule 415 on the costs of issuing primary equity securities. Rule 415 permits corporate issuers to register securities with the SEC and then to offer them for sale "off the shelf" on a continuous basis. In this study, the cost of issuing equity securities (underwriting spreads and under- or over-pricing) are compared for Rule 415 and non-Rule 415 issues. The behavior of the market price of a stock around the announcement date of a primary equity issue is also examined.

With respect to Rule 415, we conclude that issuers using the 415 shelf registration procedure have experienced significantly lower issuance costs and underwriting spreads than issuers using non-shelf procedures. However, the prices of shelf registered issues perform significantly worse than the prices of non-shelf issuers around the announcement date of the offering. On average, the negative performance of stock prices of shelf issues overwhelms the savings in issuance costs by four to twelve times. This result is attributed to the inability of a syndicate to perform price stabilization activities and the uncertainty surrounding the timing of a 415 shelf issue.

II. Brief Background

In October 1983, after an 18 month trial period, the SEC permanently adopted Rule 415. This rule streamlines security issuance procedures for issuers that meet certain minimum requirements, enables issuers to avoid using the traditional underwriting syndicate, and creates a more competitive environment among investment banking firms for primary security offerings. In general, temporary Rule 415 was lauded by corporate treasurers but opposed by the investment banking community for equity offerings.

In passing Rule 415, the SEC relied, in part, on an internal Memorandum (see 23) dated September, 1983. The Securities Industry Association, in a critique of the Memorandum prepared by Dr. Jeffrey M. Schaefer (see 20), argued that the SEC Memorandum was flawed. The findings of our study support Dr. Schaefer's position.

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* The paper is based on research conducted by Dr. Gray for his Ph.D. dissertation. The views expressed are that of the authors and do not necessarily represent the views of E. F. Hutton & Company Inc., the Pennsylvania State University, or SIA.

III. The Sample

Our sample included all underwritten, rated (by Standard and Poor's Corporation), pure equity primary issues offered during the period from March 3, 1982, when Rule 415 was first approved by the SEC, to December 31, 1982. No secondary issues or combinations of primary and secondary issues were included. A minimum offering price of $10/share and a minimum issue size of 250,000 shares was required. An additional requirement for inclusion was that the shares issued were listed on either the New York Stock Exchange or American Stock Exchange.

The data for each issue included in the sample was collected from various sources. The Investment Dealers' Digest was the source for the size of issue, underwriting spread, offering price, issuance date, registration date and registration type. Standard & Poor's Stock Guide was the source of the rating category (A+, A, A-, B+, B, B- or C) and the exchange listing. The Wall Street Journal Index was checked for each offering to determine whether the public announcement of the offering may have preceded its registration. The ISL Daily Market Price Guide was the source for a stock's closing price on the day prior to the offering date. The day prior closing price was used to determine the degree of under- or over-pricing of the offering.

During the period under review, there were 116 offerings included in the sample of which 75 were utility issues and 41 were non-utilities. The 116 offerings consisted of 20 shelf and 96 non-shelf offerings. During the sample period, the Standard & Poor 500 Index rose from 110.92 on March 3, 1982 to 140.64 on December 31, 1982, a gain of 26.8%.

IV. Tests Relating to Underwriting Spreads and Issuance Costs

Rule 415 encourages competition among investment banking firms to manage and underwrite primary equity issues. It also encourages issuers to seek advice from various investment banking firms and to increase their search for the best available prices.

If the issuer and the investment banking community have similar information about the demand for an issue, or if there is greater competition among investment banking firms, or if the cost of underwriter search is smaller under 415 procedures, underwriting spreads and total issuance costs should be reduced.

A. Method of Testing and Variable Specification

The analysis that follows uses multiple regression techniques and is based on methodology and variables used in several empirical studies which have previously examined underwriting spreads and issuance costs (See 14, 16 and 23).

Multiple regression analysis is a simple statistical technique that relates one dependent variable, for example underwriting spread or issuance costs, as a function of several independent variables, for example, size of issue, credit rating, etc. In multiple regression analysis, the researcher attempts to isolate the effects of each of the independent variables on the dependent variable and to determine and quantify relationships among variables.

The independent variables used in our model were: the credit rating of the issuer, the amount of proceeds raised by the issuer, whether the issuer was a utility or a non-utility company, and whether the issue was a shelf registration or a non-shelf registration.

1. Credit Rating

Standard & Poor's credit ratings were included as a measure of safety of the issue with ratings ranging from A+ to C. Zero-one dummy variables were used to represent the credit rating categories. Conceptually, higher-rated securities reflect a lower probability of corporate bankruptcy and are easier to sell leading to lower underwriting spreads and issuance costs.[1/]

2. Proceeds Raised

The amount of proceeds raised was specified in natural logarithm form to capture economies of scale in the issuing and underwriting of securities. Some of the costs incurred by investment banking firms in an offering, such as the advising and origination functions, are roughly the same for small and large issues. Underwriting spreads and issuance costs as a percentage of proceeds raised decline with issue size. The SEC's shelf study measurement of issue size was restricted to three zero-one dummy variables indicating whether the issue size was less than $30 million, greater than $30 million but less than $60 million, or greater than $60 million. In our opinion, this grouping is arbitrary, makes little sense, and is open to question.

3. Utilities Versus Non-Utilities

A zero-one dummy variable was used to specify whether the issuer was a utility or a non-utility. Several studies (see 12, 14 and 18) found significantly lower underwriting

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1/ From the reference list, see 7, 14, 17, and 21 for findings in the corporate bond market and 5 for a summary of findings in the municipal bond market.

spreads for bonds issued by utilities than those issued by non-utilities. The SEC's Study (see 23) did not include a dummy variable to examine whether the issuer was a utility or a non-utility. Since the SEC Study contained footnotes of articles noting significant differences in underwriting spreads for utilities, it was a major methodological error not to distinguish between utilities and non-utilities.

4. Shelf Versus Non-Shelf

Theoretically, Rule 415 fosters greater competition among investment banking firms in the primary equity market which should decrease underwriting spreads and issuance costs on shelf registered issues. Two studies, (14) and (18), found this for debt issues while the SEC Study (23), found this for equity issues. A zero-one dummy variable was used to specify whether the offering was shelf or non-shelf registered.

V. Empirical Results

The regression equation and estimates of the values of the independent and dependent variables for underwriting spread and issuance costs are shown in Tables 1 and 2. Underwriting spread and total issuance costs are expressed as a percentage of offering price. Total issuance costs consist of the underwriting spread plus under-pricing (minus over-pricing) where under- or over-pricing is equal to:

$$\frac{\text{Offering price - Closing price on the previous trade date}}{\text{Offering price}}$$

The signs of the regression coefficients are consistent with our expectations. Underwriting spread and issuance costs generally decrease with higher credit rating and with proceeds raised. If the issuer were a utility, the spread and issuance costs were substantially less than for non-utilities. If the issuer used the shelf registration procedure, costs were less than non-shelf registered issues.

1. Disaggregation into Utility-Non-Utility Sub-Samples

The regression coefficients of the utility-non-utility dummy variable of underwriting spreads and issuance costs were highly negative and significant (t-values of -4.16 and -5.06 respectively), that it was evident that disaggregation of the sample into utility and non-utility sub-samples might be appropriate. A simple statistical test was used to compute the significance levels (t-values) for the difference in the averages of utility and non-utility underwriting spreads and issuance costs. The result substantiated that utility and non-utility underwriting spreads and issuance costs should be analyzed

Table 1

Descriptive Statistics for
Multiple Regression Analysis
of Underwriting Spreads

Explanatory Variables	Total Sample=116		Utilities=75		Non-Utilities=41	
	Coef.	t-value	Coef.	t-value	Coef.	t-value
Constant	7.066	7.76	3.634	2.72	8.878	9.11
Ln. Proceeds	-0.335	-2.46	-0.138	-0.77	-0.788	-3.74
Utility	-1.044	-4.16	-	-	-	-
Rating:						
A+	-2.633	-2.98	-0.880	-0.69	-3.100	-3.64
A	-2.072	-2.56	-0.599	-0.52	-2.019	-2.69
A-	-1.799	-2.24	-0.253	-0.23	-1.587	-2.07
B+	-1.602	-1.99	0.055	0.05	-1.873	-2.49
B (or lower)	-1.534	-1.89	-	-	-1.824	-2.55
Sale Method Shelf	-0.906	-3.25	-0.681	-2.08	-1.231	-2.26
R^2	.445		.154		.622	
F-Value	10.710		2.060		7.750	
Dep. Mean	3.193%		2.711%		4.075%	
Std. Dev.	1.370		1.141		1.325	
Root MSE	1.059		1.095		0.897	

Regression Equation:

$$\text{Underwriting Spread} = \text{constant} + b_{11}\,(\text{credit rating}) + b_{21}\,(\ln \text{ proceeds raised}) + b_{31}\,[1 = \text{utility}, 0 = \text{non-utility}] + b_{41}\,[1 = \text{shelf}, 0 = \text{non-shelf}]$$

Table 2

Descriptive Statistics for
Multiple Regression Analysis
of Issuance Costs

Explanatory Variables	Total Sample=116		Utilities=75		Non-Utilities=41	
	Coef.	t-value	Coef.	t-value	Coef.	t-value
Constant	9.655	7.08	3.086	1.66	11.155	6.48
Ln. Proceeds	-0.381	-1.87	-0.242	-0.98	-0.527	-1.42
Utility	-1.904	-5.06	-	-	-	-
Rating:						
A+	-4.882	-3.70	-0.310	-0.18	-6.378	-4.24
A	-4.050	-3.34	-0.233	-0.15	-4.541	-3.42
A-	-4.161	-3.46	-0.152	-0.10	-4.867	-3.59
B+	-3.952	-3.28	0.113	0.07	-4.935	-3.72
B (or lower)	-3.103	-2.56	-	-	-3.896	-3.08
Sale Method Shelf	-0.746	-1.79	-0.203	-0.44	-2.679	-2.78
R^2	.482		.038		.526	
F-Value	12.420		0.450		5.230	
Dep. Mean	2.916%		1.999%		4.593%	
Std. Dev.	2.122		1.492		2.093	
Root MSE	1.584		1.526		1.586	

Regression Equation:

$$\text{Issuance Costs} = \text{constant} + b_{12}\,(\text{credit rating}) + b_{22}\,(\ln \text{ proceeds raised}) + b_{32}\,[1 = \text{utility}, 0 = \text{non-utility}] + b_{42}\,[1 = \text{shelf}, 0 = \text{non-shelf}]$$

separately. The result also raises questions about the specification of the model used in the SEC Study. Accordingly, we examined the data on a total sample basis and a utility-non-utility sub-sample basis.

2. Shelf Versus Non-Shelf Issues

The shelf coefficients in the underwriting spread equation (see Table 1) are -0.906, -0.681 and -1.231 for the total sample, the utility sub-sample and the non-utility sub-sample, respectively. Based on average values of underwriting spreads of 3.193%, 2.711%, and 4.075%, shelf registration appears to have lowered spreads by 28% for the total sample, 25% for shelf registered utilities and 30% for shelf registered non-utilities.

The shelf coefficients in the issuance cost equation (see Table 2) are -0.746, -0.200 and -2.679 for the total sample, utility sub-sample and non-utility sub-sample. The mean issuance costs of the respective samples are 2.916%, 1.999% and 4.593%. Thus, the shelf registration procedure appears to have lowered total issuance costs by 25% for the total sample, 10% for shelf registered utilities and 58% for shelf registered non-utilities. The SEC Study found similar issuance costs savings for a sample of shelf registered equity issues.

3. Comparison of Observed Issuance Costs and Underwriting Spread

It is noteworthy that, in the sample, the total issuance costs for utilities (1.999%) is lower than the underwriting spread (2.711%), while the total issuance costs for non-utilities (4.593%) is higher than the underwriting spread (4.075%). This indicates that investment banking syndicates generally underprice non-utility issues but aggressively price utilities by setting an offering price higher than the last sale price. The over-pricing of utility shares, in effect, subsidizes the higher underwriting spread received by the investment banking syndicate.

VI. Tests Relating to the Reaction of Stock Prices to the Issuance of Primary Equity Securities

A. Theoretical Justification

This section examines how stock prices react to the announcement and issuance of a primary equity offering, and whether the market reaction is different for shelf versus non-shelf issues.

In a perfect capital market (see 9), the price of stocks with lower issuance costs should perform more positively, or less negatively, around the announcement or issuance date (the "event date"), than stocks with higher issuance costs because fewer proceeds are transferred from the issuer to the investment banking

syndicate via higher commissions. In a perfect capital market, price stabilizing activities by an investment banking syndicate would be ineffective. Therefore, shelf registrations, with lower issuance costs, should perform better in price trends than non-shelf issues.

Conversely, investment bankers argue that price stabilizing activities have value to the issuer and shelf offerings or competitive offerings do not benefit from such activities, whereas negotiated offerings do benefit from stabilization. If stabilizing activities are effective, then negotiated non-shelf underwritings may outperform shelf offerings around the event dates. A relative negative price performance by shelf offerings when compared with non-shelf offerings, may offset or negate any observed cost savings through the distribution process.

B. Model Specification

The impact of events on common stock returns has been examined in numerous studies in the financial literature. This study examines the average daily price performance of the sample during the 41-day period surrounding the announcement date of the equity issue. We found that essentially all of the abnormal price movements associated with a primary equity issue occurred around the announcement date and not the issuance date (see 8, 11 and 15).

The price performance of the sample was examined on both a raw return and market-adjusted return basis. First, we computed each stock's daily returns for the 41 trading days (days -20 to +20) surrounding the announcement date of the new issue, with the announcement date as day 0. This was done to determine whether any extraordinary behavior was exhibited around the announcement date. An equally-weighted portfolio of all of the stocks in the sample with the 41 daily prices centered on the announcement day was formed. The sample was divided into utility and non-utility sub-samples and further divided into shelf and non-shelf registered sub-samples.

Four (4) time periods within the 41-day announcement period were examined: the pre-event period, which includes days -20 to -2; the event period, which includes days -1 to +1; the post event period, which includes days +2 to +20; and the total event period, which includes days -20 to +20. See Table 3 for a breakdown of the three-day event period only and Table 4 for a breakdown of the entire 41-day announcement period.

Average returns for each sample or sub-sample were computed and the average return characteristics were examined on both a raw percent daily return ("PDR") basis, and a market-adjusted abnormal return ("ARM") basis. The market-adjusted return method uses the model of Charest (4) and Woolridge (23)

(the assumption is that each stock has a beta value of 1.0). The market-adjusted daily return is computed by subtracting the daily return of the market surrogate, as measured by the S&P 500 Index, from the observed stock's return. The cumulative measures of the average PDR ("Cumret") and the average ARM ("Cumarm") are examined for each of the four event time periods. The 1982 CRSP Daily Return Tapes were used to track the price performance of each stock around the announcement and issuance dates. Seventeen (17) observations (all non-shelf registrations) issued during December 1982 were dropped from the analysis due to the unavailability of CRSP data to track price performance for twenty trading days after issuance.

C. Results

During the three-day announcement period and the 41-day total event period, the non-shelf sub-samples performed significantly better than the shelf samples on both a raw return and a market-adjusted return basis. See Tables 3 and 4.

There are highly negative mean PDR's and mean ARM's for day -1 for the shelf sub-samples (see Table 3) whereas there are positive mean PDR's and mean ARM's for the non-shelf sub-samples. This may indicate an "information leakage factor" in that corporate financial officers may be calling investment banking firms to solicit indications of interest just prior to official announcement or registration of a shelf offering. Investment banking firms may short the stock, creating downward price pressure on the shares. Such a strategy creates the ability for the shorting firm to aggressively bid for the shelf offering and cover its short position.

The behavior of stock prices during the announcement period for the shelf registered issues for both the utility and the non-utility sub-samples was significantly more negative than the non-shelf issues. During the 41-day announcement period (see Table 4), on average, shelf registered issues had a total raw return of 7.13% while non-shelf issues have a total raw return of 10.59%, a difference of 3.46 percentage points. The disparities in market-adjusted returns are even more apparent with values of -3.07% for shelf issues and 5.70% for non-shelf issues, or a difference of 8.77 percentage points. This negative return performance for shelf issues may be due to uncertainty of timing and syndication surrounding the offering and the inability of a syndicate to stabilize the stock's price during the registration and offering periods.

Due to the small size (20) of the shelf sub-sample, it is difficult to provide conclusive proof of the value of stabilizing activities. Nevertheless, we believe our findings support the following:

Table 3

Summary of the Three-Day
Announcement Period Returns
for Primary Equity Issues

A. Total Sample:

	Total=99		Utilities=68		Non-Utilities=31	
	Mean PDR	Mean ARM	Mean PDR	Mean ARM	Mean PDR	Mean ARM
Day -1	-0.016	-0.084	-0.012	-0.130	-0.025	0.025
Day 0	-0.882	-1.034	-0.245	-0.489	-2.376	-2.312
Day +1	-0.104	-0.301	-0.168	-0.358	0.048	-0.167
Total	-1.002	-1.419	-0.425	-0.977	-2.353	-2.454

B. Shelf Sample:

	Total=20		Utilities=15		Non-Utilities=5	
	Mean PDR	Mean ARM	Mean PDR	Mean ARM	Mean PDR	Mean ARM
Day -1	-0.795	-1.280	-0.175	-0.956	-2.653	2.253
Day 0	-0.487	-1.207	-0.137	-1.200	-1.536	-1.230
Day +1	-0.631	-0.937	-0.197	-0.635	1.932	-1.843
Total	-1.913	-3.414	-0.509	-2.791	-6.121	-5.326

C. Non-Shelf Sample:

	Total=79		Utilities=53		Non-Utilities=26	
	Mean PDR	Mean ARM	Mean PDR	Mean ARM	Mean PDR	Mean ARM
Day -1	0.187	0.227	0.034	0.013	0.523	0.500
Day 0	-0.985	-0.989	-0.276	-0.288	-2.551	-2.538
Day +1	0.033	-0.136	-0.160	-0.280	0.460	0.183
Total	-0.765	-0.898	-0.402	-0.555	-1.568	-1.855

Table 4

Summary of Pre-Event, Event
and Post-Event Announcement Period
Returns for Primary Equity Issues

	Total=99		Utilities=68		Non-Utilities=31	
	Cumret	Cumarm	Cumret	Cumarm	Cumret	Cumarm
A. Pre-Event Period (Days -20, -2):						
Overall	6.525	2.946	4.442	1.372	11.410	6.635
Shelf	6.597	0.195	5.425	-0.520	10.113	2.339
Non-Shelf	6.507	3.666	4.164	1.980	11.681	7.530
B. Event Period (Days -1, +1):						
Overall	-1.002	-1.419	-0.425	-0.977	-2.353	-2.454
Shelf	-1.913	-3.414	-0.509	-2.791	-6.121	-5.326
Non-Shelf	-0.765	-0.898	-0.402	-0.555	-1.568	-1.855
C. Post-Event Period (Days +2, +20):						
Overall	4.352	2.369	1.736	0.095	10.328	7.425
Shelf	2.446	0.160	0.031	-0.987	9.691	3.601
Non-Shelf	4.847	2.940	2.218	0.401	10.488	8.445
D. Total Event Period (Days -20, +20):						
Overall	9.876	3.896	5.752	0.490	19.386	11.798
Shelf	7.130	-3.070	4.946	-4.298	13.682	0.613
Non-Shelf	10.589	5.702	5.980	1.845	20.601	14.119

Total Issues=99	Utilities=68	Non-Utilities=31
Total Shelf=20	Utilities=15	Non-Utilities=5
Total Non-Shelf=79	Utilities=53	Non-Utilities=26

Stabilization Hypothesis: all else equal, the performance in the secondary market of a stock's price around the announcement date of issuance will be more positive (or less negative) for an issue that benefits from the price stabilizing activities of a syndicate than an issue not benefitting from such activities.

VII. Conclusion

This paper examined the effects of SEC Rule 415 on the costs of issuing primary equity securities. Rule 415 does reduce underwriting spreads and total issuance costs. On average, equity issues sold through shelf registrations have lower underwriting spreads -- 28% -- and issuance costs -- 25% -- than for comparable non-shelf issues. In the sample, for every $100 raised in a shelf equity issue, the issuer received 74.6 cents more in net proceeds and the investment banking firm received 90.6 cents less in underwriting spread.

The performance of a stock around the announcement date for a primary equity issue was also examined. During the 41-day announcement period, non-shelf registered issues outperformed shelf registered issues by 3.46% on a raw return basis and 8.77% on a market-adjusted return basis.

If a stock is issued during the twenty trading days following the announcement date (the average time from announcement to issuance during the sample period was 17.06 trading days), shelf issues were offered at prices that are, on average, approximately 3.46% lower on a raw return basis and 8.77% lower on a market-adjusted return basis. This is a large price for an issuer to pay to save .746% in issuance costs. In the sample, the negative price performance via the shelf procedure swamps the savings in issuance costs by four to twelve times. This price behavior may be due to the uncertainty surrounding a shelf offering and the inability of investment banking firms to conduct price stabilization activities on the stock being issued.

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SECURITIES INDUSTRY STATISTICS

VOLUME

	June 1984	YEAR-TO-DATE 1984	June 1983	YEAR-TO-DATE 1983	% CHG. Y-T-D 1984-1983
AVERAGE DAILY SHARE VOLUME ON					
NYSE (MILS.)*	85.9	91.1	89.7	88.1	3.4%
AMEX (MILS.)*	5.1	6.0	10.9	9.5	(36.8)
NASDAQ (MILS.)*	54.9	59.0	79.5	64.6	(8.7)
REGIONAL EXCHANGE (MILS.)* N.A. 8/2					
DOLLAR VALUE OF SHARES TRADED ON					
NYSE (MILS.)	58,433	388,027	73,503	387,136	0.2
AMEX (MILS.)	1,336	10,245	3,794	17,132	(40.2)
ODD-LOT SHARES PURCHASED ON NYSE (THOUS.)	5,586	41,238	8,241	47,871	(13.9)
ODD-LOT SHARES SOLD (INCLUDING SHORT SALES) ON NYSE (THOUS.)	11,987	80,613	15,138	92,666	(13.0)
NYSE BLOCK VOLUME AS A PERCENT OF TOTAL SHARES TRADED	51.2	49.8	43.6	43.6	---
CONTRACTS TRADED (THOUS.)					
CBOE OPTIONS	10,183	59,197	6,782	36,335	62.9
AMEX OPTIONS	2,430	17,459	3,337	18,217	(4.2)
COMMODITY	13,209	77,501	9,766	52,014	49.0

* *MONTHLY AVERAGE*

YIELDS
(MONTHLY AVERAGES)

	June 1984	June 1983	Basis Point Change June '84 - June '83
BOND BUYER INDEX (20 BOND)	10.7	9.5	1.2
CORPORATE BOND YIELDS (MOODY'S)			
Aaa CORPORATE	13.55	11.74	1.81
Baa CORPORATE	15.05	13.37	1.68
RATIO Aaa CORPORATES TO Baa CORPORATES	0.90	0.88	--
MUNICIPAL BOND YIELD (MOODY'S)	10.67	8.73	1.94

PRICES
(END OF MONTH)

	June 1984	June 1983	% Change June '84 - June '83
DOW JONES INDUSTRIALS	1132.40	1221.96	(7.3%)
STANDARD & POOR'S 500	153.18	168.11	(8.9)
NYSE COMPOSITE	88.38	97.41	(9.3)
AMEX MARKET VALUE INDEX	200.08	242.32	(17.4)
VALUE LINE COMPOSITE	172.74	204.69	(15.6)
NASDAQ COMPOSITE	239.65	318.70	(24.8)

MUTUAL FUNDS
(DOLLARS IN MILLIONS)

	June 1984	Year-to-Date 1984	June 1983	Year-to-Date 1983	% Change Y-T-D 1984 - 1983
NET SALES*	1334.5	9591.5	1930.4	10502.3	(8.7%)
NET PURCHASE OF COMMON STOCK*	377.6	2349.9	1551.4	7346.1	68.0
NET PURCHASE OF OTHER SECURITIES*	3.8	2553.9	274.0	961.4	165.6
MUTUAL FUND CASH POSITION	12.8	---	10.2	---	---

*EXCLUDES MONEY MARKET, MUNICIPAL BOND AND OPTION FUNDS

MARGIN DEBT

	June 1984	June 1983	% Change June '84 - June '83
MARGIN DEBT OUTSTANDING ($MILS)	23,450*	17,930	30.8%
NET CHANGE IN MARGIN DEBT ($MILS)	5,520	6,390	13.6
% OF ACCOUNTS WITH EQUITY UNDER 40%	12	8	---

* ALL TIME HIGH

UNDERWRITING
(DOLLARS IN MILLIONS)

	June 1984	Year-to-Date 1984	June 1983	Year-to-Date 1983	% Change June - June	% Change 1984-1983
CORPORATE FINANCING (Gross New Issues)						
Total	11,325	41,851	10,028	61,179	12.9	(31.6)
Common Stock	1,104	5,717	5,239	22,198	(78.9)	(74.2)
# Of Common Stock Issues	65	453	204	744	(68.1)	(39.1)
Preferred Stock	229	2,253	844	5,806	(72.9)	(61.2)
# Of Preferred Stock Issues	4	34	9	79	(55.6)	(57.0)
Corporate Debt	9,993	33,881	3,945	33,175	153.3	2.1
# Of Corporate Debt Issues	46	285	46	377	0	(24.4)
MUNICIPAL FINANCING* (Gross New Issues)						
Total	9,043	51,955	9,951	60,557	(9.1)	(14.2)
Notes	3,291	19,910	3,628	18,705	(9.3)	6.4
Bonds	5,752	32,045	8,359	44,500	(31.2)	(28.0)
# of Bond Issues	353	2,005	893	3,001	(60.5)	(33.2)
Negotiated Bonds	4,295	21,406	5,284	29,715	(18.7)	(28.0)
Revenue Bonds	4,029	19,501	4,667	29,444	(13.7)	(33.8)

*Preliminary Figures

ITEM	DESCRIPTION	SOURCE
"The Federal Reserve Position on Restructuring of Financial Regulation Responsibilities"	Paper presented by Paul A. Volcker to members of the Task Group on Regulation of Financial Services in December 1983. Paper discusses the basic relationship between central banking and supervisory and regulatory responsibilities. In addition, it emphasizes that proposals for administrative reform of supervisory authority need to be viewed in light of proposed substantive changes in governing powers of banks and bank holding companies.	Federal Reserve Bulletin July 1984
F.I.B.V. Statistics 1983	A compilation of data on stock exchanges worldwide. In terms of U.S. dollars and local currencies, data is presented on market activity, market value of listed shares, new listings, and public offerings.	NYSE Economic Research Department
"While the Prairie Parches, the Herd Seeks New Pastures"	View from London of future of Merrill Lynch. Mr. Schreyer has formidable task of transforming his firm into a financial services group fit for the 1990s. Concludes: the odds are stacked against him because, in contrast to the 1970s, ML is no longer in control of its own destiny. Newcomers invading the industry are just as professional and innovative as ML, and customers are more knowledgeable and demanding.	The Economist 7/28/84
"Deregulation & Deposit Insurance Reform"	Bank deregulation has increased the need for deposit insurance reform. In particular, it has enchanced the opportunities for insured institutions to exploit risk-taking incentives in the existing deposit insurance system. Many reform proposals focus on ways of pricing the risk that is not now differentially priced. Author concludes via a comparative analysis of the insurer's liability that the improved monitoring and control of bank activities to prevent insolvency is more important.	Economic Review Spring 1984 Federal Reserve Bank of San Francisco